

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6396

BILL NUMBER: SB 195

DATE PREPARED: Jan 11, 2002

BILL AMENDED:

SUBJECT: Environmental Assistance Authority.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes the Environmental Assistance Authority to administer the Wastewater Revolving Loan Program, the Drinking Water Revolving Loan Program, and the Supplemental Drinking Water and Wastewater Assistance Fund and Program. The bill transfers powers and duties of the agencies that currently administer those programs to the Indiana Bond Bank and the Authority. It expands the definition of "participant" for purposes of the Wastewater Revolving Loan Fund and Program to include entities permitted by law to enter into contractual arrangements for a purpose eligible for assistance under the federal Clean Water Act (in addition to political subdivisions). The bill makes conforming changes. It repeals provisions concerning certain duties with respect to the administration of the programs and funds that are transferred to the authority.

Effective Date: July 1, 2002.

Explanation of State Expenditures: (Revised) This bill establishes the Indiana Environmental Assistance Authority, a separate body corporate and politic, constituting an instrumentality of the state, but not a state agency. On July 1, 2002, all powers, duties, agreements, liabilities, records, money, and other property of the Treasurer of State, the Department of Environmental Management, the Budget Agency, and the State Board of Finance with respect to the Wastewater Revolving Loan Program, the Drinking Water Revolving Loan Program (SRFs), and the Supplemental Drinking Water and Wastewater Assistance Program (Supplemental Fund) are transferred to the Indiana Environmental Assistance Authority and the Indiana Bond Bank.

A nine-member board of directors governs the Authority. Each director is entitled to reimbursement for traveling and other expenses. The board must appoint and fix the duties and compensation of the executive director and program representative to take official action on behalf of the authority. The authority must also establish and maintain an office of the Authority in Indianapolis.

The Indiana Bond Bank must administer, hold, and manage the Wastewater Revolving Loan Fund, the Drinking Water Revolving Loan Fund, and the Supplemental Drinking Water and Wastewater Assistance Fund. Money in the funds may be used, with the approval of the Indiana Bond Bank, to provide loans or other financial assistance to political subdivisions, as is current law, and to other participants, which expands the entities eligible for loans. Additionally, the bill provides for grants to participants for tasks associated with the development and preparation of long term control plans; use attainability analyses; and storm water management programs, which expands the uses of the funds. The authority may contract with the Department of Environmental Management, the Budget Agency, or any other entity or person for assistance in administering the programs and the funds.

The Authority may employ fiscal consultants; engineers; general counsel; special counsel; accountants; and any other consultants, employees, and agents. The Authority may fix and pay the compensation of persons employed from money available in the funds or available for the programs.

The SRFs and the Supplemental Fund are currently administered jointly by the Budget Agency and IDEM with IDEM responsible for the nonfinancial aspects of the programs and the Budget Agency responsible for the financial aspects. The SRF programs provide low interest loans to political subdivisions for wastewater projects and political subdivisions and private and non-profit entities for drinking water projects.

The number of SRF loans has increased in recent years. After closing an average of about 7 loans for \$33 M per year from FY92 to FY98, the Budget Agency closed 31 loans for \$170 M in FY99 and 81 loans for \$354 M in FY00. The Budget Agency has closed 26 loans for \$102 M as of Feb 2001. The total SRF loan portfolio for waste water and drinking water as of Jan 2002 included 226 loans for over \$1 B.

The Supplemental Fund is used to make grants and loans. The majority are grants. Prior to 1995, Build Indiana Funds were used to fund projects. In 1995, \$28.2 M was appropriated to the fund. In 1999, \$40 M was appropriated to the fund. Interest rates for loans ranged from 0% to 4%.

Four budget analysts at the State Budget Agency administer the State Revolving Loan Funds and the Supplemental Fund. Three analysts are paid through the Indiana Transportation Finance Authority. The fourth analyst serves as a consultant under contract. Costs for the four analysts equal about \$160,000 per year. Approximately 10 staff administer the SRF program for IDEM.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Providing that the funds may be used by private entities for additional projects and providing additional uses of the funds could affect revenue available for projects currently allowed political subdivisions.

State Agencies Affected: Treasurer of State, Department of Environmental Management, Legislative Services Agency, Budget Agency, and the State Board of Finance.

Local Agencies Affected: Political subdivisions.

Information Sources: Mike Landwer, Rich Emery, and Matt Martin, State Budget Agency and State Revolving Loan Program; Erika Seydel-Cheney, IDEM.

